



Office of the President

September 21, 2006

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. OP-1259; Policy on
Payments System Risk

Dear Ms. Johnson:

Navy Federal Credit Union provides the following comments in response to the Federal Reserve Board's (Board) Policy on Payments System Risk ("PSR Policy"). Navy Federal is the nation's largest natural person credit union with \$25 billion in assets and 2.7 million members.

Navy Federal supports the principles outlined in the proposed changes to the PSR Policy. We believe that the adoption of these principles by systemically important systems will strengthen the United States' payments and settlement systems. Further, we believe that the public disclosure of each system's risk self-assessment based on these principles will allow users and stakeholders to identify and evaluate the risks and costs of using each system's services.

Based on the information in the proposal, however, we do not understand which systems would be required to comply with these changes. The proposal explains that systemically important systems over which the Board has authority would be required to adopt the principles, perform risk self-assessments, and publicly disclose the results of the self-assessments. Systemically important systems over which the Board does not have authority would simply be encouraged to adopt the principles and perform and publicly disclose the risk self-assessments. We urge the Board to clarify the scope of its authority over such systems. For example, if the Federal Reserve is a participant in such a system, does that mean the Board has authority over that system? If the Federal Reserve is not a direct participant in the system, but the Board promulgates regulations affecting the system's participants, does that constitute authority? Clarifying this aspect of the proposal will help users and stakeholders determine to which systems this proposal applies. Further, after clarifying this aspect of the proposal, we urge the Board to request another round of public comments.

We appreciate the opportunity to provide comments on the revisions to the PSR Policy.

Sincerely,

A handwritten signature in dark ink, appearing to read "Cutler Dawson".

Cutler Dawson
President/CEO

CD/sb